THE COMMONWEALTH OF MASSACHUSETTS

DEPARTMENT OF TELECOMMUNICATIONS AND ENERGY

FITCHBURG GAS AND ELECTRIC LIGHT COMPANY

D.T.E. 05-67

SUPPLEMENTAL TESTIMONY OF CHARLES J. KERSHAW, JR.

Q Please state your name, title and business address for the record.

A My name is Charles J. Kershaw, Jr. My business address is 6 Liberty Lane West, Hampton, New Hampshire, 03842. I am the Assistant Treasurer of Fitchburg Gas and Electric Light Company, d/b/a Unitil ("FG&E"). I am also an employee of Unitil Service Corp., which provides professional services, including financial, treasury, regulatory and other administrative services to FG&E, as well as to Unitil Corporation ("Unitil") and its other subsidiaries.

Q Have you previously submitted pre-filed testimony in this proceeding?

A Yes, I did. On October 6, 2005, I submitted pre-filed direct testimony in support of FG&E's petition for authorization to issue promissory notes evidencing unsecured long-term debt in an aggregate principal amount not to exceed $15,000,000 (hereinafter referred to as the "Notes").

Q What is the purpose of your supplemental testimony?

A The purpose of my supplemental testimony is to update the Department with regard to the progress that has made in placing the proposed $15,000,000 long-term Notes issuance, the terms of the proposed Notes and to further support the private placement of these Notes and the reasons why the Company is seeking a waiver from the competitive bidding provisions of M.G.L. c. 164, §15.

Q What is the status of FG&E's effort to secure a private placement of the Notes?

A Based upon the results of RBC Capital Markets' ("RBC") marketing efforts and a competitive solicitation process conducted by RBC, the coupon rate of 5.90% for this Note issuance was determined by selecting the lowest of six offers received from institution investors. (See Exhibit F for further details). This rate reflects a spread of 120 basis points over the yield on the 5.375% 30 year U.S. Treasury, due February 2031, at the time of pricing. (See Exhibit F for further details of the bidding process of this transaction). FG&E on October 20, 2005 committed (subject to regulatory approval) to a private placement of the Notes with Metropolitan Life Insurance Company and its affiliates. FG&E and RBC were very pleased with the results of this private placement, particularly given that FG&E has been able to "lock-in" this important source of long-term debt financing for a period of 25 years. .

Q What are the other key terms and conditions of the Notes?

A In addition to the coupon rate of 5.90% and the term of 25 years, other key terms and conditions include: the transaction has an average life of twenty-three years from the date of issuance and sale; the Notes are to be ranked *pari passu* (having the same rights and privileges) with the Company's other senior unsecured debt; the Notes are callable over the life of the issue (as described below); and beginning on the 21st anniversary of the date of issue and on each of the following anniversary dates, the Company will make a required annual sinking fund payment of $3,000,000 (an optional doubling of the sinking fund payments is described below). These terms and conditions are consistent with FG&E's currently outstanding long-term note agreements, which have previously been approved by the Department. A copy of the Summary of Principal Terms of this private placement is attached as Appendix II to Schedule F.

Q. Please discuss in more detail the call features of the Notes.

A The prospective Long-term Notes are callable at an amount equal to par plus accrued interest and a "make whole" premium. Beginning on the 23rd anniversary of the date of issuance, the redemption price will be 100% of the principal amount of the Notes. In other words, there is no "make whole" premium in the last two years of the life of the Notes.

Additionally, beginning on the 21st anniversary of the date of issuance and the start of the required sinking fund, the Company may make an optional sinking fund payment of $3,000,000, the amount of each annual sinking fund. Two optional annual payments are permitted. This option allows the Company to further reduce the life of the issue without paying a "make whole" premium. Together, these call and sinking fund features provide the Company with additional flexibility to optimize the timing and site of future securities offerings.

Q Please explain in greater detail how a Department exemption from the bid solicitation requirement of M.G.L. c. 164, §15 would be advantageous to ratepayers?

A FG&E has requested an exemption from the advertising and competitive bidding requirements of M.G.L. c. 164, §15 because it believes that the private placement competitive solicitation process conducted by RBC reduces the overall cost of the proposed financing for FG&E and its customers. FG&E, in consultation with RBC, believes that the private placement market is more cost effective for companies with smaller financing needs than would be a public offering, primarily due to the higher fixed costs associated with such a public offering. Mr. Cook from RBC in his letter (Exhibit F, Appendix I) further elaborates on this matter and presents a comparison of the costs related to a public versus a traditional private placement.

Q Does this conclude your testimony?

A Yes, it does.

BS105491

RBC Capital Markets

1211 Avenue of the Americas
32nd Floor
New York, NY 10036

October 21, 2005

Charles J. Kershaw Jr.
Unitil Corporation
6 Liberty Lane West
Hampton, NH 03842-1720

Dear Chuck:

Congratulations on your recent pricing of $15,000,000 Unsecured Promissory Notes for Fitchburg Gas and Electric Light Company ("Fitchburg" or the "Company"). The private placement's aggressive response from a number of investors for a term structure that is somewhat outside of typical market practice was evidence of investor's confidence in the Fitchburg credit and Unitil management team.

Agreed Terms of the Transaction

We priced the $15 million transaction at 120 basis points over the U.S. Treasury 5.375% due February 2031 (30-year U.S. Treasury), resulting in a coupon on 5.90%. The Notes have a 25-year maturity with a 23-year average life. Please refer to Appendix II for the remaining terms of the offering.

Private Placement Process

The Fitchburg marketing process began on October 11, 2005 with the private placement memorandum distributed to 35 institutional investors. The marketing of the transaction was done in an "auction" format creating a competitive bid process that would result in the lowest cost for this transaction. We received several bids from investors ranging from a minimum spread of 120 bps to maximum of 150 bps. We priced the transaction with the lowest bid over the U.S. Treasury yield resulting in a coupon on 5.90%.

Interest Rate Environment

The offering was priced based upon the U.S. Treasury 5.375% due February 2031 (30-year U.S. Treasury) at 9:00AM on October 20, 2005. The current yields are still near historical lows as identified in Appendix III.

Comparison with Public Issue Process

A public transaction for Fitchburg would have been possible, however it would be a less cost-effective alternative. In today's market, a public transaction typically has a minimum transaction size of $150,000,000 to generate sufficient economies of scale due to the higher costs involved. A comparison of expenses and fees involved with a public offering versus a traditional private placement is identified in Appendix I. Based upon an Internal Rate of Return analysis, the additional cost of a public offering over a private offering in the first year results in an incremental 25 bps of annual cost. The private placement market is more cost-effective for companies with smaller financing needs in accessing the debt capital markets.

Additionally, this offering was successful in achieving more favorable pricing than comparable public issue transactions recently in the market. For example, PSI Energy, Inc., a subsidiary of CINergy Corporation, raised $350 million of 30-year Notes on October 18, 2005 at a spread of 142 bps over the 5.375% Treasury due 2031. The BBB-rated utility had a total capitalization of $4.0 billion at June 30, 2005 and generated $1.8 billion in revenues as of the last twelve months ended June 30, 2005.

RBC Capital Markets appreciates the continued opportunity to work with Unitil and Fitchburg, and I hope we can continue to be of service to you in the future. If there is anything else I can help you with, please do not hesitate to call me at (212) 703-2279.

Sincerely,

Bard Cook
Managing Director

cc: Mark H. Collin

Appendix I – Expenses and Fees Comparison

	Public Offering	Traditional Private Placement
Issuer's Counsel:	$200,000	$35,000
Noteholder's Counsel:	N/A	$22,500
Trustee Expenses:	$15,000	$0
Rating Agency Fees:	$200,000	$0
Accountant's Fee:	$50,000	$0
SEC Filing Process:	$1,766	$0
SEC Expenses (FG&E Standalone):	$50,000	$0
Printing Expenses & Roadshow:	$85,000	$10,000
Placement Fee:	$87,500	$127,500
Total:	$689,266	$195,000

Appendix II – Detailed Termsheet

Fitchburg Gas and Electric Light Company
$15,000,000 Unsecured Promissory Notes
Summary of Principal Terms

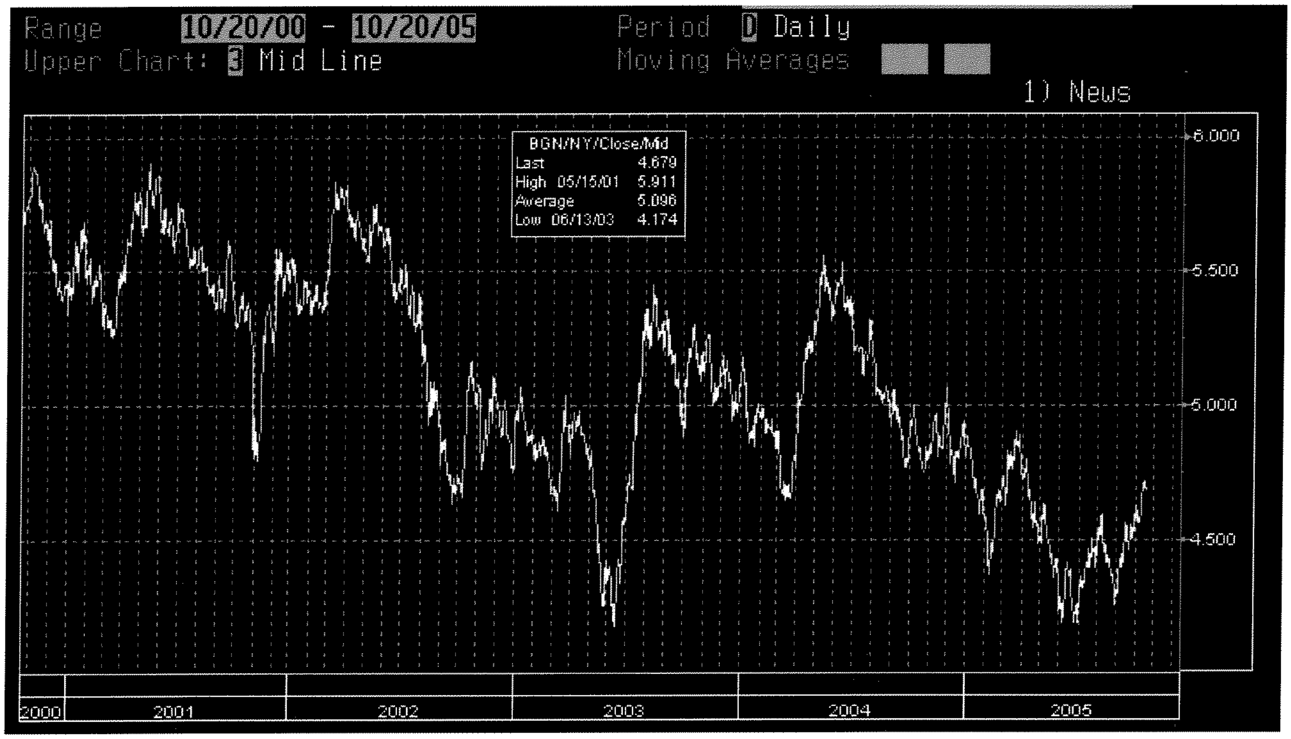
Issuer:	Fitchburg Gas and Electric Light Company (the "Company")
Issue:	Unsecured Promissory Notes (the "Notes")
Principal Amount:	$15,000,000
Noteholder:	Metropolitan Life Insurance Company
Placement Agent:	RBC Capital Markets
Final Maturity:	25 years from the date of Takedown
Average Life:	23 years from the date of Takedown
Interest Rate:	5.90%. A spread of 120 basis points over the U.S. Treasury 5.375% bond due 2/15/31 yield at the time of commitment. Interest will be payable semiannually in arrears
Offering Price:	100% of Principal Amount
Takedown:	Approximately December 1, 2005
Use of Proceeds:	Refinancing existing short-term debt and for general corporate purposes
Ranking:	The notes shall rank pari-passu with the Company's other senior unsecured debt
Sinking Fund:	Beginning on the 21st anniversary of the date of issue of the Notes and on each of the following anniversary dates, the Company will make a required annual sinking fund payment of $3,000,000 (based on a $15,000,000 principal amount). At the same time it makes any required sinking fund payment, the Company shall have the option (which shall be non-cumulative) to make a payment to the sinking fund, in immediately available funds, of an additional principal amount of Three Million Dollars ($3,000,000); *provided*, that the cumulative amount of all such optional sinking fund payments shall not exceed Six Million Dollars ($6,000,000) and each such optional sinking fund payment shall be applied to the redemption of Notes in the inverse order of maturity
Optional Redemption:	The Notes will be redeemable in amounts of at least $100,000 at the option of the Company, in whole or in part, at any time on not less than 15 days notice, at an amount equal to par plus accrued interest plus a "Make Whole Premium", if any, as defined herein. Beginning on the 23rd anniversary the redemption price will be 100.0% of the principal amount of the Notes to be redeemed
Make Whole Premium:	Make Whole Premium shall be defined as the difference (not to be less than zero) between (a) the present value of the expected future cash flows from the Notes (minus any accrued interest) discounted at a rate equal to the then current Treasury Note yield corresponding closest to the remaining weighted average life on the Notes calculated at the time of the prepayment plus 50 basis points, and (b) the Principal Amount outstanding
Financial Covenants:	
Limitations on Funded Indebtedness:	The Company and its Subsidiaries may incur additional Funded Indebtedness only if after giving effect to the intended application of the proceeds thereof (i) on a consolidated basis, total Funded Indebtedness would not exceed 65% of Total Capitalization and (ii) Earnings Available for Interest for at least twelve consecutive calendar months out of fifteen months immediately preceding the proposed creation of the Funded Indebtedness shall have been not less than two times all interest for which the Company and its Subsidiaries will annually thereafter be obligated on account of all funded Indebtedness to be outstanding immediately thereafter, in each case after giving effect to the application of the proceeds of such Funded Indebtedness

Subsidiary Indebtedness:	The Company will not permit any Subsidiary to incur any Funded Indebtedness if after giving effect thereto, to aggregate amount of Funded Indebtedness of all Subsidiaries shall exceed 20% of the sum of total common stock equity, preferred stock and preference stock as presented in accordance with GAAP on a consolidated balance sheet of the Company of such date
Limitation on Liens (Negative Pledge):	The Company will not, nor will it permit any of its Subsidiaries to, directly or indirectly, create, assume, or suffer to exist, except in favor of the Company, any lien upon any of its properties or assets, real or personal, whether now owned or hereafter acquired, or upon any income or profits therefrom without making effective provision whereby the Notes then outstanding shall be secured by such lien equally and ratably with any and all other secured obligations except for certain liens as expressly permitted by the Note Purchase Agreement including, currently existing lines, liens securing indebtedness not exceeding $6,000,000, purchase money mortgage or other type of similar liens to secure or provide for the payment of the purchase or construction of property, refunding or extensions of existing liens, deposits, pledges or liens to secure payments of worker's compensation, unemployment insurance or similar type liens, deposits, pledges or liens to secure the performance of bids, tenders, contracts or leases, mechanics or workmen's type liens, deposits or pledges, judgment liens, deposits or pledges with respect to which the Company or the relevant Subsidiary is prosecuting in good faith, liens for taxes not yet subject to penalties, deposits, pledges or liens to secure public or statutory obligations, surety, stay or appeal bonds, minor survey exemptions, or minor encumbrances, easements or reservations of, or rights of others for rights of way, sewers, electric lines and telephone lines, liens in connection with the lease of conversion burners, water heaters or other similar liens, liens in connection with the financing of gas, other fuel inventories or other similar liens, and liens on property acquired through merger, consolidation, or purchase of assets
Mergers and Consolidations of Sales of Assets:	Sales of generating assets and power purchase entitlements as provided for in the Company's restructuring plan approved by the Massachusetts Department of Telecommunications and Energy will be permitted without the consent of the Noteholders. Other mergers, consolidations and sales of assets will be permitted only if at the time, no default with respect to the Notes exists and the resulting or continuing corporation shall agree to comply with and become subject to the terms of the Note Agreement and the Notes
Restrictions on Dividends:	The Company will not declare dividends (other than on its own common stock) or make any other distribution on shares of its common stock or apply any of its property or assets (other than amounts equal to any proceeds received from the sale of common stock of the Company) to the purchase or retirement of or make any distribution, through reductions of capital stock or otherwise, in respect of any shares of its common stock, if, after giving effect to such distribution, the aggregate of (x) all such distributions declared, paid, made or applied subsequent to December 31, 2004, plus (y) all dividends, distributions and other charges against net income on account of preferred stock of the Company after the said date shall exceed the amount of the Company's Net Income accumulated after December 31, 2004, plus the sum of $6,650,000
Maintenance of Insurance:	The Company will insure to a reasonable amount with reputable insurance companies its properties against loss by fire and other causes or, in lieu thereof, it will maintain a system or systems of self-insurance which will accord with the approved practices of companies owning properties of a similar character and maintaining such systems
Other Covenants:	Customary non-financial covenants for a senior note financing, including: (a) maintenance of properties; (b) payment of taxes; (c) maintenance of corporate existence, license and permits; (d) compliance with laws and regulations; and

	(e) limitation on transactions with affiliates
Approval:	The sale of the Notes and the size of such issuance is subject to the approval of the Massachusetts Department of Telecommunications and Energy and such other regulatory authorities as may have jurisdiction
Fees and Expenses:	The Company will pay for all reasonable fees and expenses of the transaction including the reasonable frees and expenses of lenders' special counsel
Rights of Inspection:	Lenders, at their own expense and upon reasonable notice, may visit the Company and its accountants during customary business hours to inspect the Company's records and to discuss its operating results and financial position
Financial Statements:	The Company will provide to the Noteholders: 1. quarterly (unaudited) consolidated financial statements within 90 days after the end of each of the first three such quarterly periods, certified by an authorized officer; 2. quarterly (unaudited) consolidated financial statements of Unitil Corporation within 90 days after the end of each of the first three such quarterly periods; 3. annual (audited) consolidated financial statements within 120 days after the end of each year; 4. annual (audited) consolidated financial statements of Unitil Corporation within 120 days after the end of each fiscal year; and 5. quarterly and annual compliance certificates, certified by an authorized officer of the Company
Representations and Warranties:	Customary representations and warranties for a senior note financing
Defaults:	Events of Default include not only defaults in the payment of interest or principal due, but also defaults in the performance or observance of any covenants, agreements or conditions of the Note Purchase Agreement and the continuance thereof 30 days after written notice
General:	The Notes will be issued pursuant to a Note Purchase Agreement in a form mutually agreeable to the Company and the purchasers. Counsel for the Company will provide an initial draft of the documents
Company Counsel:	LeBoeuf, Lamb, Greene & MacRae LLP
Proposed Investors Counsel:	Chapman and Cutler
Governing Law:	Massachusetts
Definitions:	
Earnings Available for Interest:	Shall mean the amount by which the sum of operating revenues, allowances for funds used during the construction and net non-operating income, as set forth on a consolidated statement of earnings of the Company for such period, exceeds the sum of operating expenses (including taxes and adequate and reasonable allowances for maintenance, depreciation and retirement of properties and adequate provision for depletion, obsolescence and amortization of properties, but not including any Federal or State taxes based on income in the computation), as wet forth on such a consolidated statement of earnings for such period
Funded Indebtedness:	All indebtedness for borrowed money of the Company and its Subsidiaries payable more than one year from the date as of which Funded Indebtedness is being determined, and all indebtedness payable within such year which may be renewed or extended beyond such year pursuant to the terms of the agreement or instrument under which such indebtedness was incurred, but there shall be excluded sinking fund, serial maturity, periodic installment and amortization payments on account of indebtedness which are required to be made within such year. Funded Indebtedness does not include: (a) obligations under contracts for

	the purchase by it of gas and electric power, including transmission charges, (b) pension and benefit obligations, whether or not absolute or contingent or included, in accordance with GAAP, in determining total liabilities on the balance sheet, (c) obligations under capital and operating leases, and (d) obligations relating to the sale of generating assets and power purchase entitlements as provided for in the Company's restructuring plan filed with the Massachusetts Department of Telecommunications and Energy
Lien:	Shall mean as to any entity, any mortgage, lien, pledge, adverse claim, charge, security interest or other encumbrance in or on, or interest or title or any vendor, lessor, lender or other secured party to or of the entity under conditional sale or other title retention agreement or capital lease with respect to, any property or asset of the entity
Net Income (Deficit):	The amount of net income (or deficit) of the Company and its Subsidiaries for the period in question transferred to the retained earnings account on the books of the Company, as determined in accordance with GAAP, on a consolidated basis
Subsidiary:	Shall mean any corporation of which such first mentioned corporation at the time owns, directly or through any intervening medium, that number of shares of voting stock which has the power to elect a majority of the board of directors
Total Capitalization:	At any date means the sum of (x) Funded Indebtedness, and (y) the aggregate amount for total common stock equity, preferred stock and preference stock as presented in accordance with GAAP on a consolidated balance sheet of the Company as of such date. Such Total Capitalization shall be exclusive of Accumulated Other Comprehensive Income derived from pension and benefit obligations

Appendix III – Historical 30-Year U.S. Treasury Yields



Source: Bloomberg
Note: Historical 30-Year U.S. Treasury yield for last 5 years; Data as of 10/20/05